

By: Darby

H.B. No. 3201

A BILL TO BE ENTITLED

AN ACT

relating to the designation of a well as a two-year inactive well or three-year inactive well for purposes of the oil and gas severance tax exemption.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 202.056, Tax Code, is amended to read as follows:

(a) In this section:

(1) "Commission" means the Railroad Commission of Texas.

(2) "Hydrocarbons" means any oil or gas produced from a well, including hydrocarbon production.

~~(3) "Three-year inactive well" means any well that has not produced in more than one month in the three years prior to the date of application for severance tax exemption under this section.~~

~~(4)~~ "Two-year inactive well" means a well that has not produced oil or gas in more than one month in the two years preceding the date of application for severance tax exemption under this section.

(b) Hydrocarbons produced from a well qualify for a 10-year severance tax exemption if the commission designates the well as a ~~three-year inactive well or a~~ two-year inactive well. The commission may require an applicant to provide the commission with any relevant information required to administer this section. The

commission may require additional well tests to determine well capability as it deems necessary. The commission shall notify the comptroller in writing immediately if it determines that the operation of the ~~three-year inactive well~~ or two-year inactive well has been terminated or if it discovers any information that affects the taxation of the production from the designated well.

(c) ~~If the commission designates a three-year inactive well under this section, it shall issue a certificate designating the well as a three-year inactive well as defined by Subsection (a)(3) of this section. The commission may not designate a three-year inactive well under this section after February 29, 1996.~~ If the commission designates a two-year inactive well under this section, it shall issue a certificate designating the well as a two-year inactive well as defined by Subsection (a)~~(4)~~(3) of this section. ~~The commission may not designate a two-year inactive well under this section after February 28, 2010.~~

(d) ~~An application for three-year inactive well certification shall be made during the period of September 1, 1993, through August 31, 1995, to qualify for the tax exemption under this section.~~ An application for two-year inactive well certification shall be made ~~during the period September 1, 1997, through August 31, 2009,~~ to qualify for the tax exemption under this section. Hydrocarbons sold after the date of certification are eligible for the tax exemption.

(e) The commission may revoke a certificate if information indicates that a certified well was not a ~~three-year inactive well~~ ~~or a~~ two-year inactive well, as appropriate, or if other lease

1 production is credited to the certified well. Upon notice to the
2 operator from the commission that the certificate for tax exemption
3 under this section has been revoked, the tax exemption may not be
4 applied to hydrocarbons sold from that well from the date of
5 revocation.

6 (f) The commission shall adopt all necessary rules to
7 administer this section.

8 (g) To qualify for the tax exemption provided by this
9 section, the person responsible for paying the tax must apply to the
10 comptroller. The comptroller shall approve the application of a
11 person who demonstrates that the hydrocarbon production is eligible
12 for a tax exemption. The comptroller may require a person applying
13 for the tax exemption to provide any relevant information necessary
14 to administer this section. The comptroller shall have the power to
15 establish procedures in order to comply with this section.

16 (h) If the tax is paid at the full rate provided by Section
17 [201.052\(a\)](#), [201.052\(b\)](#), [202.052\(a\)](#), or [202.052\(b\)](#) before the
18 comptroller approves an application for an exemption provided for
19 in this chapter, the operator is entitled to a credit against taxes
20 imposed by this chapter in an amount equal to the tax paid. To
21 receive a credit, the operator must apply to the comptroller for the
22 credit before the expiration of the applicable period for filing a
23 tax refund claim under Section [111.104](#).

24 (i) Penalties

25 (1) Any person who makes or subscribes any
26 application, report, or other document and submits it to the
27 commission to form the basis for an application for a tax exemption

1 under this section, knowing that the application, report, or other
2 document is false or untrue in a material fact, may be subject to
3 the penalties imposed by Chapters 85 and 91, Natural Resources
4 Code.

5 (2) Upon notice from the commission that the
6 certification for a ~~three-year inactive well or a~~ two-year inactive
7 well has been revoked, the tax exemption shall not apply to oil or
8 gas production sold after the date of notification. Any person who
9 violates this subsection is liable to the state for a civil penalty
10 if the person applies or attempts to apply the tax exemption allowed
11 by this chapter after the certification for a ~~three-year inactive~~
12 ~~well or a~~ two-year inactive well is revoked. The amount of the
13 penalty may not exceed the sum of:

14 (A) \$10,000; and

15 (B) the difference between the amount of taxes
16 paid or attempted to be paid and the amount of taxes due.

17 (3) The attorney general may recover a penalty under
18 Subdivision (2) of this subsection in a suit brought on behalf of
19 the state. Venue for the suit is in Travis County.

20 SECTION 2. This Act takes effect immediately if it receives
21 a vote of two-thirds of all the members elected to each house, as
22 provided by Section 39, Article III, Texas Constitution. If this
23 Act does not receive the vote necessary for immediate effect, this
24 Act takes effect on the 91st day after the last day of the
25 legislative session.